

## Message Text

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C O N F I D E N T I A L CAIRO 9740

EXDIS

E.O. 11652: GDS

TAGS: ENRG EG

SUBJECT: NUCLEAR COOPERATION AGREEMENT -- POWER STATION CONTRACT

REF: CAIRO 9415

1. ROBERT HUGHES, VICE PRESIDENT, WESTINGHOUSE, POWER SYSTEMS MIDDLE EAST AND LOCAL WESTINGHOUSE REP MAHER ANABTAWI BRIEFED US SEPTEMBER 30 ON CURRENT STATUS OF NUCLEAR POWER STATION CONTRACT NEGOTIATIONS. HUGHES DESCRIBED EGYPTIANS AS OPTIMISTIC REGARDING NUCLEAR COOPERATION AGREEMENT. HE SAID THAT DR. KAMAL EFFAT, DIRECTOR, ATOMIC ENERGY AGENCY, HAD TOLD HIM THAT THE EGYPTIANS WILL AGREE TO THE TERMS OF THE PROPOSED AMERICAN AGREEMENT BOTH IN SAFE GUARDS AREA AND FUEL PROCESSING AREA IN ORDER TO CONCLUDE AGREEMENT AND MOVE TO THE CONTRACTING FOR THE POWER STATION. WESTINGHOUSE ALSO LEARNED THAT THREE EGYPTIAN OFFICIALS WILL TRAVEL TO THE US ON OCTOBER 20 TO REVIEW STATUS OF PROPOSAL STUDIES WITH GOE CONSULTANTS BURNS AND ORE AND THEN MEET WITH TWO CONTRACTORS (GE AND WESTINGHOUSE). DR. EFFAT AND MR. ABAZA WILL THEN TRAVEL TO THE US ON OCTOBER 27, OSTENSIBLY TO FOLLOWUP EARLIER VISIT. MINISTER OF ELECTRICITY SULTAN TOLD ANABTAWI THAT PURPOSE OF EFFAT'S AND ABAZA'S VISIT WILL BE TO PREPOSITION THEMSELVES IN WASHINGTON IN ANTICIPATION OF FURTHER NEGOTIATIONS AS A RESULT OF PRESIDENT SADAT'S VISIT. ACCORDING TO SULTAN, NUCLEAR COOPERATION AGREEMENT WILL BE "NUMBER ONE" ON SADAT'S LIST OF TOPICS TO BE DISCUSSED WITH PRESIDENT FORD. SULTAN ALSO EXPECTS TO BE MEMBER OF SADAT PARTY. EGYPTIANS SEE CONCLUDING NEGOTIATING SESSION TAKING  
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PLACE IN WASHINGTON WITH AGREEMENT INITIALLED DURING SADAT'S

VISIT.

2. HUGHES WAS OPTIMISTIC REGARDING POSSIBILITIES FOR CONSLUDING COOPERATION AGREEMENT BECAUSE OF RECENT REVIVAL OF ISRAELI INTEREST IN NUCLEAR POWER STATION. HE SAID THAT WESTINGHOUSE, GENERAL ELECTRIC AND BABCOCK-WILCOX HAVE JUST SUBMITTED PROPOSALS IN RESPONSE TO ISRAELI TENDER OF ABOUT TWO MONTHS AGO. ISRAEL CALLED FOR BIDS ON POWER STATION IDENTICAL TO THAT PLANNED BY EGYPTIANS. HUGHES BELIEVES THEREFORE THAT ISREELIS WILL NOW PUSH FOR COOPERATION AGREEMENT AND THAT BOTH EGYPTIAN AND ISRAELI AGREEMENT WILL BE CONCLUDED IN THE NEAR FUTURE. (FYI- HUGHES TOLD US THAT ISREALIS HAVE ENGAGED CANADIAN CONSULTANT WHO HAS RECENTLY RECOMMENDED THAT ISRALIS PROCEED TO 900 MEGAWATT POWER STATION VICE 600 MEGAWATTS WHICH THEY ORIGINALLY PLANNED. FROM COMPANY STANDPOINT, EGYPTIAN AND ISRAELI POWER STATIONS WILL BE TOTALLY DIFFERENT, ACCORDING TO HUGHES. EGYPTIAN PROJECT IS ESSENTIALLY A TURN KEY PLANT WHEREAS ISRAELIS WILL BUY COMPONENTS AND ASSEMBLE THEM.)

3. COMMENT. EVIDENCE CONTINUES TO GROW THAT GOE MAKING MAJOR PUSH TO CONCLUDE NUCLEAR COOPERATION AGREEMENT. WE CONTINUE TO BELIEVE THAT QUESTION OF FINANCING FOR STATION WILL COME UP AS WELL. WITH CURRENT ESTIMATES BY WESTINGHOUSE THAT THEIR PROPOSED STATION WILL COST 600-800 MILLION DOLLARS WE ARE TALKING ABOUT A CONSIDERABLE AMOUNT EVEN IF THE US WERE ONLY TO PARTICIPATE IN THE FINANCING. WE SHOULD BEGIN CONTINGENCY PLANS FOR FIELDING SUCH AN EGYPTIAN REQUEST.

4. IF INDEED ISRAELI INTEREST IN COOPERATION AGREEMENT IS REVIVING, EGYPT WILL SEEK FURTHER ASSURANCES THAT ANY EVENTUAL COOPERATION AGREEMENT WITH ISRAEL WILL BE IDENTICAL TO THEIRS. WE SHOULD ALSO BE PREPARED TO RESPOND SPECIFICALLY TO THIS POINT.  
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